

Message Text

CONFIDENTIAL

PAGE 01 MOSCOW 09257 01 OF 02 271839Z
ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 EB-07 TRSE-00 CIAE-00 INR-07
NSAE-00 OES-07 STR-04 XMB-02 /047 W
-----101549 271916Z /42

R 271800Z JUN 77
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 9189
USDOC WASHDC
INFO AMCONSUL LENINGRAD
AMEMBASSY LONDON
AMEMBASSY TOKYO

C O N F I D E N T I A L SECTION 1 OF 2 MOSCOW 9257

USDOC FOR BEWT

E.O. 11652: GDS
TAGS: BGEN, EEWT, UR, US
SUBJECT: GENERAL ELECTRIC SALES PROGRAM IN SOVIET UNION

SUMMARY: GENERAL ELECTRIC (GE) VICE CHAIRMAN J. S. PARKER TOLD AMBASSADOR JUNE 24 HE DISCUSSED POTENTIAL SALE OF CS-6 JET ENGINES TO USSR WITH MINISTER OF AVIATION INDUSTRY KAZAKOV. PARKER SAID HE WAS TOLD BY SOVIETS OF "HOLDIAY" IN THEIR NEGOTIATIONS WITH ROLLS ROYCE ON JET ENGINE SALE. PARKER HEARD FROM DEPUTY MINISTER OF FOREIGN TRADE SUSHKOV OF SOVIET DOUBTS ABOUT TECHNOLOGICAL CAPACITY OF EL PASO TO HANDLE ITS SHARE OF PROSPECTIVE YAKUTSK NATURAL GAS PROJECT AND OF SOVIET INTEREST IN GE PARTICIPATION IN THE PROJECT. PARKER MENTIONED EXPRESSION OF INTEREST BY STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY (SCST) VICE CHAIRMAN GVISHIANI IN ACQUISITION OF COMPUTERIZED TOMOGRAPHIC SCANNER (CTS), WHICH SOVIET FOREIGN TRADE OFFICIAL HAD THOUGHT GE SHOULD PRESENT TO USSR AS A "GIFT." PARKER ALSO AGREED TO EXCHANGE LETTERS QUARTERLY WITH MINISTER OF THE ELECTRICAL EQUIPMENT INDUSTRY ANTONOV. END SUMMARY.

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PAGE 02 MOSCOW 09257 01 OF 02 271839Z

1. GE VICE CHAIRMAN OF THE BOARD PARKER, ACCOMPANIED BY LOCAL REPRESENTATIVE LAPTEV, CALLED ON AMBASSADOR JUNE 25 TO REVIEW GE ACTIVITIES IN USSR. PARKER WAS IN SOVIET UNION AS ONE OF TWENTY "GUESTS OF HONOR" AT ELECTRO-TECHNICAL CONGRESS. HE REPORTED FIRST ON HIS TRIP TO LENINGRAD WHERE HE VISITED LMZ (LENINGRAD MACHINERY WORKS) AND

ELEKTROSILA FACTORIES. PARKER WAS HIGHLY IMPRESSED BY LMZ PLANT, WHICH HE SAID WOULD BE "QUITE A THING IN TWO YEARS," BY ANY STANDARDS. HE MENTIONED PRECISION LATHE AND LATHE FORMING EQUIPMENT AS PARTICULARLY IMPRESSIVE. PARKER THOUGHT THAT STEAM TURBINE EQUIPMENT MANUFACTURED THERE WOULD BE DESTINED PRIMARILY FOR THE DOMESTIC MARKET RATHER THAN FOR EXPORT. HE NOTED THAT IN VIEW OF GROWTH RATE OF SOVIET ELECTRICAL EQUIPMENT INDUSTRY, THERE APPEARED TO BE SUBSTANTIAL SALES POSSIBILITIES FOR GE. ASKED IF THE SOVIETS HAD CONCEALED ANYTHING FROM HIM IN THE LENINGRAD PLANT VISITS, PARKER SAID HE HAD THE IMPRESSION HE COULD HAVE SEEN EVERYTHING. (LAPTEV MENTIONED A FEBRUARY VISIT BY GE TECHNICIANS TO THE SAME FACTORY.) HOWEVER, NEITHER LMZ OR ELEKTROSILA SEEMED TO HIM TO BE OPERATING AT FULL CAPACITY.

2. IN MOSCOW, DEPUTY MINISTER OF FOREIGN TRADE SUSHKOV EXPRESSED CONSIDERABLE INTEREST IN GE PARTICIPATION IN THE PROSPECTIVE YAKUTSK NATURAL GAS PROJECT. PARKER SAID, HOWEVER, THAT HE WAS "NOT ANXIOUS TO BE A PARTNER WITH ARMAND HAMMER" (OF OCCIDENTAL PETROLEUM). ASKED BY THE AMBASSADOR IF THE SOVIETS HAD SOLICITED A GE BID, PARKER SAID HE THOUGHT SOVIETS IN LOOKING AT EL PASO NATURAL GAS HAD THE IMPRESSION THAT EL PASO LACKED THE NECESSARY TECHNOLOGY. ON THE OTHER HAND, THE SOVIETS KNOW GE; THEY KNOW IT EITHER HAS THE COMPETENCE ITSELF OR ELSE KNOWS WHERE TO FIND IT. CONFIDENTIAL

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PAGE 03 MOSCOW 09257 01 OF 02 271839Z

GE EQUIPMENT WOULD BE ESPECIALLY USEFUL IN THE GAS PUMPING STATIONS ALONG THE PROSPECTIVE PIPELINE (TO NAKHODKA). PARKER REACHED THE CONCLUSION THAT THIS PROJECT IS FURTHER OFF THAN IS GENERALLY BELIEVED.

3. THE NEW MINISTER OF THE AVIATION INDUSTRY, KAZAKOV, ASKED IF GE COULD SELL THE USSR THE CS-6 JET ENGINE FOR USE IN WIDE-BODIED JET AIRCRAFT. ACCORDING TO PARKER, THE SOVIETS HAD HEARD OF THE ENGINE'S ADVANTAGES OF FUEL ECONOMY AND RELIABILITY. THE SOVIETS HAD APPARENTLY CALLED A "HOLIDAY" IN THEIR NEGOTIATIONS WITH ROLLS ROYCE, FOR REASONS UNKNOWN, BUT THEY MADE IT CLEAR THAT SUCH NEGOTIATIONS HAVE NOT BEEN TERMINATED. ASKED BY THE AMBASSADOR IF GE WAS SEEKING AN EXPORT LICENSE FOR SALE OF THE CS-6 ENGINE, PARKER SAID THAT NO LICENSE HAD YET BEEN SOUGHT BECAUSE GE DOES NOT KNOW PRECISELY WHAT THE SOVIETS WANT. (HE LATER SAID THAT IN PRELIMINARY DISCUSSIONS WITH USDOC, GE HAD THE IMPRESSION THAT SUCH A LICENSE WOULD BE GRANTED.) THEY HAD MENTIONED A "TWENTY TON ENGINE, WHICH WOULD MEAN 24,000 POUNDS OF THRUST. IT COULD BE THE CS-6-6 OR A DERATED CS-6-50.

CONFIDENTIAL

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PAGE 01 MOSCOW 09257 02 OF 02 271854Z
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C O N F I D E N T I A L SECTION 2 OF 2 MOSCOW 9257

USDOC FOR BEWT

GE ENGINEER BRYAN ROWE WILL VISIT THE USSR IN THE WEEK OF JUNE 27 TO DEAL WITH THE SPECIFICS AND WILL KEEP THE EMBASSY INFORMED, PARKER SAID. PARKER SAID THE SOVIETS WANTED TO BUY TEN OR TWELVE ENGINES FOR THE IL-86 BUT WERE ALSO INTERESTED IN A LICENSE TO PRODUCE THE ENGINE TO OUTFIT SOME TWENTY AIRCRAFT (100 ENGINES). HE SAID IT WOULD MAKE MORE ECONOMIC SENSE FOR THE SOVIETS TO BUY THAT MANY ENGINES OUTRIGHT - 100 ENGINES WOULD COST ABOUT \$175 MILLION. THE AMBASSADOR ASKED WHETHER GE WAS SERIOUSLY CONSIDERING LICENSING PRODUCTION OF THE ENGINE. PARKER SAID IT WOULD NOT DO SO BUT ADDED THAT "WE DID NOT TELL THAT TO THE SOVIETS, OF COURSE". HE SAW NO ECONOMIC SENSE IN A LICENSING ARRANGEMENT UNLESS THE SOVIETS WANTED TO PRODUCE SOME 1,500 ENGINES. THE SOVIETS HAD ALSO MENTIONED "COPRODUCTION," BUT PARKER DID NOT KNOW WHAT THEY MEANT. LAPTEV COMMENTED THAT SOVIETS WOULD ALSO HAVE DIFFICULTY IN MOUNTING CS-6 ENGINES ON THEIR AIRCRAFT, A SCHEME INVOLVING EXPENSIVE ENGINEERING. PARKER ADDED THAT SERVICING THE CS-6 WOULD ALSO BE EXPENSIVE; GE WOULD PROBABLY HAVE TO TRAIN SOME SOVIET TECHNICIANS IN VIEW OF THE DIFFICULTY IN HAVING

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PAGE 02 MOSCOW 09257 02 OF 02 271854Z

MAINTENANCE SUPPLIED BY GE LOCALLY.

4. PARKER HAD COME AWAY FROM HIS TALKS WITH SCST VICE CHAIRMAN GVISHIANI WITH A LESS THAN POSITIVE IMPRESSION. HE INQUIRED, "WOULD YOU BUY A USED CAR" FROM GVISHIANI, WHOSE THOUGHTS SEEMED TO HIM TO BE ON A "GLOBAL" BASIS (I.E., LACKING DEPTH). NEVERTHELESS, GVISHIANI HAD ASKED THAT GE WORK WITH SCST TO SEE IF SOMETHING COULD BE DONE JOINTLY ON MATTERS OTHER THAN RAW MATERIALS. PARKER THOUGHT IT WOULD BE A USEFUL EXERCISE. GVISHIANI HAD EXPRESSED INTEREST IN PURCHASING 15 COMPUTERIZED TOMOGRAPHIC SCANNERS. PARKER FOUND THIS AMUSING SINCE GE MEDICAL EQUIPMENT SPECIALIST DR. RABB HAD RECENTLY BEEN GIVEN A COLD SHOULDER BY THE SOVIET FOREIGN TRADE ORGANIZATION MEDEXPORT, WHICH SPURNED AN OFFER TO BUY FIVE CTS MACHINES. MEDEXPORT HAD WANTED THEM AS A "GIFT" FROM GE. (PARKER SUBSEQUENTLY TOLD E/C COUNSELOR ON WAY OUT THAT GE SCANNER WORKS IN FIVE SECONDS, WHEREAS ORIGINAL BY EMI REQUIRED PATIENT TO HOLD HIS BREATH FOR OVER FORTY SECONDS.)

5. IN HIS CONVERSATION WITH MINISTER OF THE ELECTRICAL EQUIPMENT INDUSTRY ANTONOV, PARKER SAID, IT WAS EVIDENT THAT ANTONOV HAD RECEIVED A "SELECTIVE BRIEFING" FROM HIS SUBORDINATES ABOUT GE. HENCE PARKER HAD SUGGESTED A REGULAR (QUARTERLY) EXCHANGE OF LETTERS ON POSSIBLE PROJECTS. ANOTHER ADVANTAGE OF THIS PROCEDURE WILL BE TO GIVE LOCAL GE REPRESENTATIVE LAPTEV A BETTER PICTURE, SINCE GE'S DE-CENTRALIZATION HAS CUT HIM OFF FROM SOME COMMUNICATIONS BETWEEN THE MINISTRY AND THE COMPANY.

6. PARKER SAID THE ELECTRO-TECHNICAL CONGRESS HAD BEEN GOING QUITE WELL. THE CONTECT OF PAPERS WAS GOOD. ONE KEY ISSUE UNDER DISCUSS WAS THE RELIABILITY OF LARGE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MOSCOW 09257 02 OF 02 271854Z

MACHINES. THERE HAS BEEN AN EXCITING CONTROVERSY IN THE USSR, HE SAID, AS TO WHETHER TO INCREASE THE CAPACITY OF ELECTRICAL EQUIPMENT STILL FURTHER THAN AT PRESENT.

7. PARKER SAID THAT IT IS GE POLICY TO SUPPORT TRADE WITH THE USSR, MAKING ACCOMODATIONS WHICH MAY NOT PAY OFF IN HIS LIFETIME BUT COULD PROMOTE FUTURE UNDERSTANDING. FOR THE INTERIM, HE WAS UNDER NO ILLUSIONS; THE SOVIETS WOULD SLAP US DOWN LIKE A FLY IF THEY COULD. THE AMBASSADOR RESPONDED THAT THIS IS PRECISELY WHAT HE WOULD HAVE SAID. WE WANT ON THE ONE HAND TO CREATE A NETWORK OF TIES, INCLUDING COMMERCIAL, WHICH WOULD CAUSE THE SOVIETS TO THINK TWICE BEFORE UNDERTAKING SOME HOSTILE MOVE. ON THE OTHER HAND, WE ARE VERY MUCH AWARE THAT THEY DO NOT WISH US WELL.

8. IN RESPONSE TO THE AMBASSADOR'S INQUIRY, PARKER SAID THAT GVISHIANI AND KAZAKOV HAD MENTIONED THE MFN/EXIM CREDIT PROBLEM. THE AMBASSADOR STATED THAT IT WAS IMPORTANT TO GET THE MESSAGE ACROSS TO THE TOP SOVIET LEADERSHIP THAT THE ELIMINATION OF JACKSON/VANIK RESTRICTIONS DEPENDS ON THE ATTITUDE OF CONGRESS, WHICH IN TURN IS INFLUENCED BY SOVIET BEHAVIOUR. THE SOVIETS HAVE SOME PRIMITIVE VIEWS ON THIS AND MUST COME TO UNDERSTAND THAT CONGRESS CANNOT SIMPLY BE TOLD BY THE ADMINISTRATION OR BUSINESS HOW TO VOTE. WE TRY TO GET THIS POINT ACROSS TO THEM, BUT IT WOULD BE BETTER IF PERSONS SUCH AS PARKER MAKE THE POINT TO THEM DIRECTLY. PARKER RESPONDED THAT MESHING TWO SYSTEMS TAKES TIME AND PATIENCE.
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Message Attributes

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Disposition Approved on Date:
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Disposition Date: 22 May 2009
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TAGS: BGEN, EEW, UR, US, GENERAL ELECTRIC
To: STATE COM
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